ADVANTEX MARKETING INTERNATIONAL INC.
CONSOLIDATED FINANCIAL STATEMENTS
For the three and nine months ended March 31, 2016

The accompanying consolidated financial statements have been prepared by management and approved by the Board of Directors of the company. Management is responsible for the information and representations contained in these consolidated financial statements and other sections of this report.

An auditor has not performed a review of these consolidated financial statements.

Advantex Marketing International Inc.
Consolidated Statements of Financial Position (unaudited)
(expressed in Canadian dollars)

	Note	March 31, 2016	June 30, 2015
		$	$
Assets			
Current assets			
Cash and cash equivalents		$ 648,325	$ 1,162,609
Accounts receivable		396,430	460,446
Transaction credits	5	8,483,704	7,819,647
Inventory	6	37,100	144,874
Prepaid expenses and sundry assets		181,524	173,777
		$ 9,747,083	**$ 9,761,353**
Non-current assets			
Property, plant and equipment		$ 120,847	$ 165,735
Intangible assets		227,374	477,992
		$ 348,221	**$ 643,727**
Total assets		**$ 10,095,304**	**$ 10,405,080**
Liabilities			
Current liabilities			
Loan payable	7	$ 6,221,134	$ 5,711,525
Accounts payable and accrued liabilities		3,949,533	4,294,418
12% Non-convertible debentures payable	8	5,039,246	-
		$ 15,209,913	**$ 10,005,943**
Non-current liabilities			
12% Non-convertible debentures payable	8	**$ -**	**$ 4,864,802**
Total liabilities		**$ 15,209,913**	**$ 14,870,745**
Shareholders' deficiency			
Share capital	9	$ 24,530,555	$ 24,530,555
Contributed surplus		4,090,382	4,090,382
Accumulated other comprehensive loss		(47,383)	(47,383)
Deficit		(33,688,163)	(33,039,219)
Total deficiency		**$ (5,114,609)**	**$ (4,465,665)**
Total liabilities and deficiency		**$ 10,095,304**	**$ 10,405,080**

Economic and Financial dependence (note 2a), Going concern (note 2b), Commitments and contingencies (note 12)

The accompanying notes are an integral part of these consolidated financial statements

Approved by the Board

Director: Signed "William Polley"
William Polley

Director: Signed "Kelly Ambrose"
Kelly Ambrose

Advantex Marketing International Inc.
Consolidated Statements of (loss) and Comprehensive (loss) (unaudited)
For the three and nine months ended March 31, 2016 and 2015
(expressed in Canadian dollars)

	Note	Three months ended March 31		Nine months ended March 31	
		2016	2015	2016	2015
		$	$	$	$
Consolidated Statements of (loss)					
Revenues	15	**$ 2,435,120**	**$ 2,718,764**	**$ 8,526,797**	**$ 10,048,351**
Direct expenses	14/15	753,017	1,961,503	2,662,667	4,120,065
		1,682,103	757,261	5,864,130	5,928,286
Operating expenses					
Selling and marketing	14/15	594,977	841,932	2,026,725	2,664,869
General and administrative	14/15	941,799	1,137,221	2,699,752	3,449,803
Restructuring cost		-	805,892	-	805,892
Earnings from operations before depreciation, amortization and interest		**145,327**	**(2,027,784)**	**1,137,653**	**(992,278)**
Interest expense:					
Stated interest expense - loan payable, and debentures	7, 8	480,596	373,051	1,260,932	1,215,125
Non-cash interest expense on debentures	8	58,832	56,133	174,444	170,379
		(394,101)	(2,456,968)	(297,723)	(2,377,782)
Depreciation of property, plant and equipment, and amortization of intangible assets		117,069	125,187	351,221	328,646
Net (loss) and comprehensive (loss)		**$ (511,170)**	**$ (2,582,155)**	**$ (648,944)**	**$ (2,706,428)**
Earnings per share					
Basic and Diluted	13	**$ (0.00)**	**$ (0.02)**	**$ (0.00)**	**$ (0.02)**

The accompanying notes are an integral part of these consolidated financial statements

Advantex Marketing International Inc.
Consolidated Statements of Changes in Shareholders' Deficiency (unaudited)
For the three and nine months ended March 31, 2016 and 2015
(expressed in Canadian dollars)

	Class A preference shares	Common shares	Contributed surplus	Accumulated other comprehen - sive loss	Deficit	Total
	$	$	$	$	$	$
Balance - July 1, 2014	**$ 3,815**	**$ 24,526,740**	**$ 4,090,382**	**$ (47,383)**	**$ (29,968,616)**	**$ (1,395,062)**
Net (loss) and comprehensive (loss)	-	-	-	-	(2,706,428)	(2,706,428)
Balance - March 31, 2015	**$ 3,815**	**$ 24,526,740**	**$ 4,090,382**	**$ (47,383)**	**$ (32,675,044)**	**$ (4,101,490)**
Balance - July 1, 2015	**$ 3,815**	**$ 24,526,740**	**$ 4,090,382**	**$ (47,383)**	**$ (33,039,219)**	**$ (4,465,665)**
Net (loss) and comprehensive (loss)	-	-	-	-	(648,944)	(648,944)
Balance - March 31, 2016	**$ 3,815**	**$ 24,526,740**	**$ 4,090,382**	**$ (47,383)**	**$ (33,688,163)**	**$ (5,114,609)**

The accompanying notes are an integral part of these consolidated financial statements

Advantex Marketing International Inc.
Consolidated Statements of Cash Flow (unaudited)
For the nine months ended March 31, 2016 and 2015
(expressed in Canadian dollars)

	Note	March 31, 2016	March 31, 2015
		$	$
Operational activities			
Net (loss) for the period		$ (648,944)	$ (2,706,428)
Adjustments for:			
Depreciation of property, plant and equipment, and amortization of intangible assets		351,221	328,646
Accretion charge for debentures	8	174,444	170,379
		(123,279)	(2,207,403)
Changes in items of working capital			
Accounts receivable		64,016	378,145
Transaction credits		(664,057)	2,084,164
Inventory		107,774	(84,451)
Prepaid expenses and sundry assets		(7,747)	(76,756)
Accounts payable and accrued liabilities		(344,885)	16,518
		(844,899)	2,317,620
Net cash provided by operating activities		**$ (968,178)**	**$ 110,217**
Investing activities			
Purchase of property, plant and equipment, and intangible assets		$ (55,715)	$ (305,750)
Net cash (used in) investing activities		**$ (55,715)**	**$ (305,750)**
Financing activities			
Proceeds from loan payable	7	$ 509,609	$ (470,115)
Transaction costs respecting debentures financing		-	(24,206)
Net cash generated from / (used in) financing activities		**$ 509,609**	**$ (494,321)**
Increase / (decrease) in cash and cash equivalents during the period		**$ (514,284)**	**$ (689,854)**
Cash and cash equivalents at beginning of period		1,162,609	1,815,805
Cash and cash equivalents at end of period		**$ 648,325**	**$ 1,125,951**
Additional information			
Interest paid		$ 1,002,132	$ 1,352,224
For purposes of the cash flow statement, cash comprises			
Cash		$ 643,325	$ 1,120,951
Term deposits		5,000	5,000
		$ 648,325	$ 1,125,951

The accompanying notes are an integral part of these consolidated financial statements

(expressed in Canadian dollars)

1 General information

Advantex Marketing International Inc. and its subsidiaries (together the company or Advantex) is a public company with common shares listed on the Canadian Securities Exchange (trading symbol ADX). Advantex operates in the marketing services industry. The company develops and manages loyalty programs for financial institutions and other major organizations through which their customers earn frequent flyer miles or points on purchases at participating merchants. Under the umbrella of each program, Advantex provides merchants with marketing and customer incentives. At its sole discretion the company pre-purchases merchants' future sales through its Advance Purchase Marketing (APM) product. Advantex is incorporated and domiciled in Canada, and the address of its registered office is Suite 606, 600 Alden Road, Markham, Ontario, L3R 0E7.

2 a. Economic and Financial Dependence

(i) Economic Dependence

The company's revenues and gross profit are dependent on a merchant based loyalty program ("CIBC/TD program") the company operates in partnership with Canadian Imperial Bank of Commerce ("CIBC") and Toronto Dominion Bank ("TD"). Just over 60% of CIBC/TD program revenues are dependent on the company's relationship with CIBC.

	Nine months ended March 31, 2016	Fiscal year ended June 30, 2015	Fiscal year ended June 30, 2014
		% of company Total	
CIBC/TD program revenues	85.0%	82.1%	84.8%
CIBC/TD program gross profit	91.0%	87.5%	89.4%

Status of agreements with CIBC and TD

The company has a two decade relationship with CIBC. The most recent renewal of partnership was in September 2013 for an initial three year term expiring September 30, 2016 ("new agreement'). In addition to CIBC's right to terminate the new agreement at any time by providing at least six months prior written notice to the company, the new agreement can be terminated by CIBC forthwith under certain circumstances. On April 14, 2016 the company announced extension of the new agreement until December 31, 2016. Although there can be no assurance that CIBC and the company will enter into an agreement beyond December 31, 2016, this extension is intended to allow the parties to continue under their current agreement while continuing discussions.

The company has renewed its agreement with TD for one year ending in June 2017. The agreement had an initial term of two years and was due to expire in June 2016. In addition to TD's right to terminate the agreement at any time by providing at least four months prior written notice to the company, the agreement can be terminated by TD immediately under certain circumstances.

Status of commitment to Aimia Canada Inc. ("Aimia")

The second source of the company's revenue and gross profit is the Aeroplan program which is dependent on the company's agreement with Aimia. Under the agreement the company has an annual commitment to purchase minimum aeroplan miles (note 12). The company did not meet its calendar 2015 purchase commitment and, per the agreement, the shortfall was carried forward and added to the company's commitment for calendar 2016. The company will fall short of its calendar 2016 purchase commitment and this will become payable at the end of calendar 2016. The agreement allows the parties to negotiate a reduction to the annual commitment under certain circumstances. These circumstances are applicable to calendar 2016. In addition, the company is in discussions with Aimia on restructuring the renewed agreement. While in the past the company has negotiated a waiver of shortfall in meeting its annual purchase commitment there can be no assurance that the current initiative to obtain a waiver of the shortfall will be successful.

The company's segment reporting is provided in note 15.

(ii) Financial Dependence

The company is funded by debt. The sources of debt are a line of credit facility, and non-convertible debentures.

The company has access to a line of credit facility under its loan payable (note 7). The loan payable is used exclusively to expand the company's APM product ("transaction credits" on consolidated statements of financial position) which is a significant driver of merchant participation in the CIBC/TD program. In October 2015 the term of the loan payable was renewed for a one year term expiring in December 2016. The loan payable is repayable on demand. The relationship was established in 2007.

The 12% non-convertible debentures payable ("new 12% debentures") were issued by the company on December 30, 2013 (note 8). The new 12% debentures mature September 30, 2016. On June 30, 2015, the debenture holders amended and re-set all financial covenants effective quarter ended June 30, 2015 until quarter ending June 30, 2016. At March 31, 2016 the company was in breach of all its financial covenants. The company has secured a waiver to the breach of all its financial covenants at March 31, 2016 and was charged a fee of $103,180 by the debenture holders. The company does not have financial wherewithal to repay the debentures on maturity and is seeking to re-finance.

If the company breaches a financial covenant or is unable to pay either interest or its debts as they came due, it would be in default under the new 12% debentures agreement and, as a result, the new 12% debentures holders would have the right to waive the event of default, demand immediate payment of the new 12% debentures in full or modify the terms and conditions of the new 12% debentures including key terms such as repayment terms, interest rates and security. If the company is unable to secure alternative financing to pay interest or repay the new 12% debentures, the new 12% debentures holders would have the right to realize upon a part or all of the security held by them.

Status of discussion with holders of new 12% debentures

The company has a decade old relationship with the primary holder of the new 12% debentures – a Toronto based firm investing on behalf of its managed accounts. Related parties holdings at March 31, 2016 of the new 12% debentures were about $1.2 million (note 11). The company has secured a waiver to the breach of all its financial covenants at March 31, 2016. The company is in discussion with the primary holder of the new 12% debentures respecting either extending the term of or re-financing the new 12% debentures. While in the past the company has been successful in obtaining waivers and debt amendments, and refinancing its debentures, there can be no assurance these initiatives will continue to be successful.

2 b. Going Concern

These consolidated financial statements have been prepared in accordance with accounting principles applicable to a going concern which contemplates that the company will be able to realize its assets and settle its liabilities in the normal course as they come due during the normal course of operations for the foreseeable future. When a company is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, the entity is required to disclose those uncertainties. There is uncertainty surrounding:

1. The new 12% debentures as the company did not meet its financial covenants at March 31, 2016. The company may not meet its financial covenants subsequent to March 31, 2016 and the company has not generated significant positive cash flows from operations during year ended June 30, 2015 and the nine months ended March 31, 2016;
2. The refinancing of the new 12% debentures maturing September 30, 2016;
3. The renewal of agreement with CIBC beyond December 31, 2016; and
4. It's ability to negotiate a waiver to its calendar 2016 annual commitments to purchase minimum aeroplan miles from Aimia.

As a result, this may cast significant doubt on the validity of going concern assumption and the company's ability to continue as a going concern after March 31, 2016 and hence the ultimate use of accounting principles applicable to a going concern.

The company's future success is dependent on retaining its existing relationships, new financing, ensuring profitability and generating positive cash flows from operations. The company's business plan includes renewal of its agreements with CIBC and TD, refinancing of its current loans, the re-setting of its financial covenants, and the receipt of waivers or agreement amendments where breaches occur. While in the past the company has been successful in renewal of its agreement with CIBC, refinancing its debentures and loan payable, obtaining waivers and debt agreement amendments to date, securing a waiver from Aimia to annual purchase commitment, there can be no assurance these initiatives will continue to be successful.

These consolidated financial statements do not include any adjustments or disclosures that may result from the company's ability to continue as a going concern. If the going concern assumption were not appropriate for these consolidated financial statements, adjustments may be necessary in the carrying values of assets and liabilities and the reported expenses and balance sheet classifications; and such adjustments could be material.

3 Basis of preparation

These interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting.

These interim consolidated financial statements do not include all the information and notes required by IFRS for annual financial statements and therefore, should be read in conjunction with the audited consolidated financial statements and notes for the company's year ended June 30, 2015, which are available on SEDAR at www.sedar.com.

These interim consolidated financial statements and related notes have been reviewed by the company's audit committee and approved by the company's board of directors on May 30, 2016.

Accounting standards issued but not yet applied

The IASB has issued the following applicable standards which have not yet been adopted by the company. The company has not yet begun the process of assessing the impact that the new and amended standards will have on its consolidated interim financial statements or whether to early adopt any of the new requirements.

The following is a description of the new standards:

IFRS 9 Financial Instruments

In July 2014, the IASB completed IFRS 9 Financial Instruments as the first step in its project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value.

The basis of classification depends on an entity's business model and the contractual cash flow of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

IFRS 15, Revenue from Contracts with Customers

In May 2014, IASB issued IFRS 15, Revenue from Contracts with Customers, which supersedes IAS 11, Construction Contracts, IAS 18, Revenue, IFRIC 13, Customer Loyalty Programmes, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers, and SIC-31, Revenue – Barter Transactions Involving Advertising Services. The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to receive in exchange for those goods and services. IFRS 15 will require enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (particularly, service revenue and contract modifications) and improve guidance for multiple –element arrangements. IFRS 15 will be effective for the Corporations fiscal year beginning on July 1, 2018 with earlier adoption permitted.

The company has not yet assessed the impacts of adopting these standard on its consolidated financial statements.

4 Summary of significant accounting policies

The accounting policies adopted are consistent with those of the previous financial year.

5 Transaction credits

Under its APM product the company acquires the rights to cash flow from future designated credit card transactions at a discount from participating merchants ("transaction credits"). These transaction credits are generally estimated to be fully extinguishable within 30 – 210 days. The company, in the normal course of business, is exposed to credit risk on the transaction credits.

The transaction credits are net of applicable allowance for impaired accounts, which is established based on the specific credit risk associated with the customer and other relevant information.

The transaction credits and the allowance for impaired accounts is as follows:

	March 31, 2016	June 30, 2015
	$	$
Transaction credits	$ 8,955,436	$ 8,606,883
Allowance	(471,732)	(787,236)
Per statement of financial position	$ 8,483,704	$ 7,819,647

The transaction credits that are considered impaired and the related allowance is tabulated below. The impaired transaction credits not allowed for represent that portion of impaired transaction credits deemed collectible.

	March 31, 2016	June 30, 2015
	$	$
Impaired transaction credits	$ 684,824	$ 1,136,791
Allowance	(471,732)	(787,236)
Impaired transaction credits not allowed for	$ 213,092	$ 349,555

6 Inventory

Inventory comprises

	March 31, 2016	June 30, 2015
	$	$
Digital display units	$ -	$ 79,440
Processing terminals	37,100	65,434
	$ 37,100	$ 144,874

Inventory is stated at the lower of cost and net realizable value.

Digital display units

The company sells these units to merchants participating in its merchant based loyalty programs.

During the three months ended September 30, 2015 the company and supplier agreed to convert the inventory to amounts the company can use to pay for its future purchases, from the supplier, of digital marketing software which is part of the company's product offering. The amount is re-classified into accounts receivable effective September 30, 2015.

For the nine months ended March 31, 2016 $32,000 of accounts receivable was recognized as an expense (2015- $nil).

For the nine months ended March 31, 2016 $4,410 of inventory was recognized as an expense (2015 - $8,860).

Processing units

The processing units are issued to merchants participating in the company's Aeroplan and Caesars programs. These units facilitate issuance of bonus rewards to members of Aeroplan and Caesars Total Rewards programs on their completing qualifying purchases at participating merchants. The company relieves inventory and recognizes the expense upon the issuance of terminal to the merchant.

7 Loan payable

This line of credit facility ("facility") is provided by Accord Financial Inc. ("Accord"). The facility limit is $8.5 million. The term of facility is to December 2016. In certain circumstances the amount outstanding under the facility is repayable on demand to Accord.

	March 31, 2016	June 30, 2015
	$	$
Balance at start of Fiscal year	$ 5,711,525	$ 6,454,174
Increase/(decrease) in borrowing	509,609	(742,649)
Balance at end of period	$ 6,221,134	$ 5,711,525

The facility is used by the company exclusively to acquire transaction credits, under its APM product, from establishments that are in business segments available to the company under its agreements with CIBC, TD and Aimia.

Interest is calculated daily on the amount outstanding and charged monthly at a per annum interest rate equivalent to prime rate of a certain Canadian bank plus 11.5%. The interest cost during the period ended March 31, 2016 was $691,744 (2015 - $691,890).

8 12% Non-convertible debentures payable

On December 30, 2013, the company completed a refinancing by way of a private placement of 12% non-convertible debentures ("new 12% debentures") in the principal amount of $5,159,000.

The new 12% debentures are issued as units. Each unit comprises (i) $1,000 face value secured non-convertible debentures of the company bearing interest at 12% per annum, payable semi-annually, and maturing September 30, 2016, and (ii) 8,150 common shares in the capital of the company. The company issued 5,159 units and 42,045,850 common shares.

Under the agreement, the proceeds of the new 12% debentures are to be used for working capital purposes. The new 12% debentures are secured by a general security interest over the assets of the company and its subsidiaries. The significant financial covenants of the new 12% debentures require the company to meet (i) commencing the quarter ended December 31, 2013, on a quarterly basis a defined level of designated current assets, and interest coverage, and (ii) commencing January 31, 2014, on a monthly basis a defined level of credit card spend, on which the company earns its revenue, at merchants participating in its loyalty programs (as part of the re-set of the financial covenants, described later in this section, this financial covenant was cancelled effective April 2015). In June 2014, the debenture holders agreed to a) re-set the financial covenants and b) defer the semi-annual interest due June 15, 2014 and this was now payable in two equal instalments due October 15, 2014 and November 15, 2014.

The company agreed to pay a fee of $65,000 to the debenture holders for the above changes to the new 12% debentures. The company met the revised financial covenants as at June 30, 2014, September 30, 2014 and December 31, 2014.

At March 31, 2015 the company was in breach of all its financial covenants and the company secured a waiver of the breach at March 31, 2015. The debenture holders amended and re-set all financial covenants effective quarter ended June 30, 2015 until quarter ending June 30, 2016. The company met the amended financial covenants at June 30, 2015, September 30, 2015 and December 31, 2015. At March 31, 2016 the company was in breach of all its financial covenants. The company has secured a waiver to the breach of all its financial covenants at March 31, 2016 and was charged a fee of $103,180 by the debenture holders.

Movement on the new 12% debentures

	Debt portion
Balance at June 30, 2015	$ 4,864,802
Accretion charge for the period	174,444
Balance at March 31, 2016	$ 5,039,246

Stated interest charges and accretion charges with respect to the debentures are as follows:

	Nine months ended March 31, 2016		Nine months ended March 31, 2015	
	Stated interest	Accretion charges	Stated interest	Accretion charges
	$	$	$	$
new 12% debentures	$ 466,008	$ 174,444	$ 464,735	$ 170,379
new 12% debentures fees	103,180	-	58,500	-
	$ 569,188	$ 174,444	$ 523,235	$ 170,379

9 Share capital

Authorized and Issued share capital. No change during the nine months ended March 31, 2016.

10 Share-based payments

Employee stock options

The company has a stock option plan for directors, officers, employees and consultants. The number of employee stock options issuable per the company's stock option plan is 16,688,546.

	Number of employee stock options	Weighted average exercise price
Outstanding and Exercisable at June 30, 2015	8,590,000	$ 0.03
Outstanding and Exercisable at March 31, 2016	4,140,000	$ 0.03

The outstanding and exercisable employee stock options at March 31, 2016 were issued at exercise prices ranging between $0.025 and $0.05, and have a weighted average remaining contractual life of just over a year. The employee stock options expire at various periods between March 2017 and March 2018.

The number of employee stock options available for future issuance as at June 30, 2015 and March 31, 2016 was 8,098,546 and 12,548,546 respectively.

Outstanding and exercisable at March 31, 2015 totalled 9,890,000.

Potentially Dilutive Securities

Upon exercise of the employee stock options exercisable as at March 31, 2016, the company is committed to issuing 4,140,000 common shares.

11 Related party transactions

Directors and Officers

In December 2013 the directors and officers purchased new 12% debentures (note 8), on terms and conditions applicable to the other subscribers. The holdings of debentures are tabulated:

	March 31, 2016		June 30, 2015	
	$		$	
Director, Chief Executive Officer - K. Ambrose	$	500,000	$	500,000
Director, Chairman of the Board of Directors - S. Burns	$	50,000	$	50,000
Director - W.Polley	$	50,000	$	50,000
Director - M. Lavine	$	500,000	$	500,000
Ex-Director - R.von der Porten (Not a director since December 11, 2015)	$	-	$	50,000
Ex-Director - B.Wainstein (Not a director since December 11, 2015)	$	-	$	25,000
Chief Financial Officer - M.Sabharwal	$	115,000	$	115,000
	$	1,215,000	$	1,290,000

12 Commitments and contingencies

Commitments

As at March 31, 2016, the company is committed to minimum payments with respect to existing leases for equipment and premises:

	Equipment		Premises		Total	
Not later than one year	$	64,074	$	95,381	$	159,455
Later than one year and not later than five years	$	77,300	$	39,742	$	117,042
Later than five years	$	-	$	-	$	-
Total	$	141,374	$	135,123	$	276,497

The expense related to above leases is expensed in selling and marketing, and general and administrative expenses in the consolidated statements of income.

A significant portion of the commitments for premises is for the company's head office (note 1). The lease expires in September, 2017.

Additional commitments

In November 2014 the company renewed its agreement ("renewed agreement") with Aimia for a five year term ending April 30, 2019. The renewed agreement enables the company to operate Aimia's Aeroplan loyalty program in the independent merchant business segment, primarily as a re-seller of aeroplan miles. Per the renewed agreement the company has an annual commitment to purchase minimum aeroplan miles. The company re-sells the aeroplan miles to merchants participating in the Aeroplan loyalty program it operates for Aimia (note 2a). The annual commitment is tabulated.

The company did not meet its calendar 2015 purchase commitment. It purchased $1,297,100 of aeroplan miles compared to its commitment of $1,870,000. Per the renewed agreement, the shortfall of $572,900 is carried forward and added to the company's commitment for calendar 2016. The company with Aimia's support is working to open independent grocery, a high frequency and issuance business segment and provides an opportunity to the company to meet its calendar 2016 commitment. Given the long selling cycle the grocery segment has not been productive to date. The company will fall short of its calendar 2016 purchase commitment and this will become payable at the end of calendar 2016 unless the company is able to negotiate a waiver. The renewed agreement allows the parties to negotiate a reduction to the annual commitment under certain circumstances. These circumstances are applicable to calendar 2016. In the past the company has negotiated a waiver of shortfall in meeting its annual purchase commitment. In addition, the company is in discussions with Aimia on restructuring the renewed agreement.

Calendar year	Annual commitment
2015	$ 1,870,000
2016	$ 2,057,000
2017	$ 2,262,700
2018	$ 2,488,970

<u>Taxation</u>

As of date hereof, the company does not have a decision to the notice it has filed with Canada Revenue Agency to confirm the appropriateness of the company's treatment of HST/GST for the periods subsequent to fiscal 2007.

13 Earnings per share

Basic EPS is calculated by dividing the net income/(loss) for the period attributable to equity owners of the company by the weighted average number of common shares outstanding during the period.

Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants and similar instruments is computed using the treasury stock method. The company's potentially dilutive common shares comprise stock options granted to employees (position as at March 31, 2016 and March 31, 2015 noted under note 10).

	Three months ended March 31		Nine months ended March 31	
	2016	2015	2016	2015
	$	$	$	$
Net (loss)	$ (511,170)	$ (2,582,155)	$ (648,944)	$ (2,706,428)
Average number of issued common shares during the period	139,071,218	139,071,218	139,071,218	139,071,218
Basic EPS	$ (0.00)	$ (0.02)	$ (0.00)	$ (0.02)
The computation for diluted EPS for the three and nine months ended March 31, 2016 and March 31, 2015 is not provided because the effect of potential exercise of the dilutive common shares would be anti-dilutive.				

14 Nature of Expenses

	Three months ended March 31, 2016	Three months ended March 31, 2015	Nine months ended March 31, 2016	Nine months ended March 31, 2015
	$	$	$	$
Direct expenses				
Costs of a) cardholders awards, and marketing and advertising in connection with the company's merchant based loyalty programs; b) cost of sales related to sale of aeronotes; and c) cost of sales of digital marketing services; and	$ 650,440	$ 805,284	$ 2,251,596	$ 2,738,918
Expense for provision against impaired accounts receivable and transaction credits	$ 102,577	$ 1,156,219	$ 411,071	$ 1,381,147
	$ 753,017	$ 1,961,503	$ 2,662,667	$ 4,120,065
Selling and Marketing, and General & Administrative				
Salaries and wages including travel	$1,187,768	$1,538,319	$3,738,419	$4,863,276
Professional fees	$79,230	$136,582	$230,393	$370,779
Facilities, processing, and office expenses	$238,140	$292,115	$722,604	$825,389
Other	$31,638	$12,137	$35,061	$55,228
	$1,536,776	$1,979,153	$ 4,726,477	$ 6,114,672

15 Segment reporting

The company's reportable segments include: (1) CIBC/TD program, (2) Aeroplan program and (3) Caesars program. Where applicable, corporate and other activities are reported separately as Corporate.

The CIBC/TD program relates to the merchant-based loyalty program the company developed and managed for CIBC and TD.

The company operates Aimia's Aeroplan loyalty program in the independent merchant business segment, primarily as a re-seller of aeroplan miles. The company's Aeroplan program relates to merchant based loyalty program the company developed and managed for Aimia.

The Chief Operating Decision Maker reviews the segment income statement. The segment assets and liabilities are not reviewed.

For the period ended March 31, 2016

	CIBC/TD program	Aeroplan program	Caesars program	Corporate	Total
	$	$	$	$	$
Revenues	7,244,286	1,212,879	69,587	45	8,526,797
Direct expenses	1,907,067	716,661	38,939	-	2,662,667
	5,337,219	496,218	30,648	45	5,864,130
Selling & marketing	1,613,671	241,168	171,886		2,026,725
General & administrative	2,293,696	384,023	22,033	-	2,699,752
Restructuring cost	-	-	-	-	-
Earnings from operations before depreciation, amortization and interest	1,429,852	- 128,973	(163,271)	45	1,137,653
Interest - loan payable	691,744	-	-	-	691,744
Interest - Non convertible debentures payable	631,786	105,777	6,069	-	743,632
Depreciation and amortization	298,396	49,959	2,866	-	351,221
Segment profit/(loss)	(192,072)	(284,711)	(172,206)	45	(648,944)

For the period ended March 31, 2015

	CIBC/TD program	Aeroplan program	Caesars program	Corporate	Total
	$	$	$	$	$
Revenues	8,329,199	1,680,612	38,495	45	10,048,351
Direct expenses	3,207,604	905,514	6,947	-	4,120,065
	5,121,595	775,098	31,548	45	5,928,286
Selling & marketing	2,043,048	362,204	259,617	-	2,664,869
General & administrative	2,859,596	576,991	13,217	-	3,449,803
Restructuring cost	-	-	-	805,892	805,892
Earnings from operations before depreciation, amortization and interest	218,951	- 164,097	- 241,286	- 805,847	- 992,278
Interest - loan payable	691,890	-	-	-	691,890
Interest - Non convertible debentures payable	574,948	116,009	2,657	-	693,614
Depreciation and amortization	272,420	54,967	1,259	-	328,646
Segment profit/(loss)	(1,320,306)	(335,073)	(245,202)	(805,847)	(2,706,428)

16 Comparatives

Certain of the comparative figures have been re-classified to conform to consolidated financial presentation adopted in the current year.